

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Application)

of)

MOLOKAI PUBLIC UTILITIES, INC.)

For review and approval of rate)
increases; revised rate schedules; and)
revised rules.)

Docket No. 2009-0048

PUBLIC UTILITIES
COMMISSION

2009 DEC 21 P 2:33

FILED

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO THE DIVISION OF CONSUMER ADVOCACY'S
SUPPLEMENTAL INFORMATION REQUESTS**

and

CERTIFICATE OF SERVICE

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Attorneys for MOLOKAI PUBLIC UTILITIES, INC.


BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application)	
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**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO THE DIVISION OF CONSUMER ADVOCACY'S
SUPPLEMENTAL INFORMATION REQUESTS**

COMES NOW, MOLOKAI PUBLIC UTILITIES, INC., by and through its attorneys,
Moriwara Lau & Fong LLP, hereby submits its Responses to the Division of Consumer
Advocacy's Supplemental Information Requests consistent with the Stipulated Regulatory
Schedule (Exhibit "A") contained in the Stipulated Prehearing Order, filed on November 6, 2009.

DATED: Honolulu, Hawaii, December 21, 2009.



MICHAEL H. LAU, ESQ.
YVONNE Y. IZU, ESQ.

Moriwara Lau & Fong LLP
Attorneys for MOLOKAI PUBLIC UTILITIES, INC.

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-1

Ref: Response to CA-IR-82c.

- a. On page 1, the data for the 5/8" meter indicates that the number of customers decreased from 2,262 as of 6/30/2008 to 590 as of 6/30/2009. Please discuss and explain why the number of customers decreased so significantly.

RESPONSE:

The 2,262 customer bills shown on line 2, column 2 of page 1 of Attachment CA-IR-82c represents the total customer bills from July 2007 to June 2008 as shown on page 7, line 2 column 13 of the attachment. The 590 customer bills shown on line 2, column 3 of page 1 of Attachment CA-IR-82c represents only four months of customer bills from July 2008 to September 2008 as shown on page 8, line 2 column 13 of the attachment. The decrease simply reflects the fact that the 2,262 customer bills is for twelve months while the 590 customer bills is for only 4 months. This is due to the fact that the Company did not summarize customer usage by meter category after September 2008 once the temporary rates provided in the Commission's Order in Docket No. 2008-0115 were implemented. The customer billings on line 2 were only used to calculate an average usage per customer. The total

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
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DOCKET NO. 2009-0048

CA-SIR-1 (cont.)

customer usage for each month for all periods is shown on page 3, line 34 of Attachment CA-IR-82c for the summary and on line 31 of the pages which show the monthly data. Actual customer counts by meter size are shown for each period in the customer section.

1. If the value of 590 represents the cumulative number of customers over four months, please confirm and explain the apparent decrease between the annualized value ($590 \times 3 = 1,770$) and the prior year, 2,262.

RESPONSE:

As shown on page 8 of Attachment CA-IR-82c, the 590 customer bills represents the number for 3 months July 2008 to September 2008.

- b. On pages 1 and 2, besides the significant decrease in the number of customers in the 5/8" meter, there are also decreases in the 1.0", 1.5", 2.0", and other meters. Please discuss and explain why the number of customers decreased.

RESPONSE:

The number of customer bills for those meter sizes for the year ended June 30, 2009 are for the three months as

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CA-SIR-1 (cont.)

shown on pages 8 and 9 of the attachment. See response to part (a.1) above.

- c. On page 1, the data suggests that for the four months ended 10/31/2009, the Company only had 4 customers who used approximately 7,978 thousand gallons. Please confirm. If this data is incorrect, please provide corrected data.

RESPONSE:

The data for the 1.0" meter on page 1, lines 4 to 6 reflects the water use at the Kualapuu Tap, which was recorded each month. That data, unlike the other meter sizes, was recorded monthly and is thus reflected on the schedules included in Attachment CA-IR-82c.

- d. On page 2, please explain why the Company has reflected that it had negative 7,111 customers as of 10/31/2009.

RESPONSE:

The negative 7,111 is in error. The negative 7,111 originates on page 11 of 11, line 32, column 13. The negative 7,111 is the sum of the 4 on line 5 and the negative 7,115 on line 29. The formula on line 29 (line 45 – line 4) should be corrected to use the amount on line 5 of page 10 instead of the amount on line 4. The correct numbers for line 45 for July 2009 to October 2009 should be 212, 218,

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
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DOCKET NO. 2009-0048

CA-SIR-1 (cont.)

214 and 216 respectively. The total of those four amounts, 859 customer bills should replace the negative 7,115 on line 29. The result of these corrections would change the total of negative 7,111 to 863 as shown on Attachment CA-SIR-1d.

SPONSOR: Robert O'Brien

**ATTACHMENT
CA-SIR-1d**

**Molokai Public Utilities, Inc.
Summary Usage, and Customer Counts
Test Year Ending June 30, 2010**

Summary -- July 2007 to October 2009

Line #	Description	[1]	[2]	[3]	[4]
		12 Months Ended		Four Months Ended	
		6/30/07	6/30/08	6/30/09	10/31/09
<u>5/8" meter (200)</u>					
1	Gallons billed in 000 gallons	71,633	72,019	17,004	-
2	# of customers for Usage Billing	2,138	2,262	590	0
3	Average Usage per Customer (000) (L 1 / L 2)	33.5	31.8	28.8	-
<u>1.0" meter (201)- MIS</u>					
4	Gallons billed in 000 gallons	23,565	25,727	24,384	7,978
5	# of customers for Usage Billing	12	12	12	4
6	Average Usage per Customer (000) (L 4 / L 5)	1,963.8	2,143.9	2,032.0	1,992.0
<u>1.0" meter (202)</u>					
7	Gallons billed in 000 gallons	13,637	13,385	2,163	-
8	# of customers for Usage Billing	12	12	3	0
9	Average Usage per Customer (000) (L 7 / L 8)	1,136.4	1,115.4	720.8	-
<u>1.5" meter (203)</u>					
10	Gallons billed in 000 gallons	19,624	19,292	3,794	-
11	# of customers for Usage Billing	24	24	6	0
12	Average Usage per Customer (000) (L 10 / L 11)	817.7	803.8	632.2	-
<u>2.0" meter (204)</u>					
13	Gallons billed in 000 gallons	8,084	9,082	2,013	-
14	# of customers for Usage Billing	24	24	6	0
15	Average Usage per Customer (000) (L 13 / L 14)	336.8	378.4	335.4	-
<u>3.0" meter (205)</u>					
16	Gallons billed in 000 gallons	85,291	46,874	65	-
17	# of customers for Usage Billing	36	36	9	0
18	Average Usage per Customer (000) (L 16 / L 17)	2,369.2	1,302.1	7.2	-

Molokai Public Utilities, Inc.
Summary Usage, and Customer Counts
Test Year Ending June 30, 2010

Summary -- July 2007 to October 2009

Line #	Description	[1]	[2]	[3]	[4]
		12 Months Ended			Four Months Ended 10/31/09
		6/30/07	6/30/08	6/30/09	
<u>4.0" meter (206)</u>					
19	Gallons billed in 000 gallons	6,080	4,762	568	-
20	# of customers for Usage Billing	84	84	21	0
21	Average Usage per Customer (000) (L 19 / L 20)	72.4	56.7	27.0	-
<u>"CC"</u>					
22	Gallons billed in 000 gallons	7,158	8,347	2,006	-
23	# of customers for Usage Billing	12	12	3	0
24	Average Usage per Customer (000) (L 22 / L 23)	596.5	695.6	668.5	-
<u>WA (100)</u>					
25	Gallons billed in 000 gallons	-	-	-	-
26	# of customers for Usage Billing	0	0	2	0
27	Average Usage per Customer (000) (L 25 / L 26)	-	-	-	-
<u>KWA (2000)</u>					
28	Gallons billed in 000 gallons	-	-	78,666	43,508
29	# of customers for Usage Billing	0	0	1,880	834
30	Average Usage per Customer (000) (L 28 / L 29)	-	-	41.8	-
<u>TOTAL EXCLUDING KUALAPUU</u>					
31	Gallons billed in 000 gallons	235,072	199,488	130,663	51,486
32	# of customers for Usage Billing	2,330	2,454	2,520	834
33	Average Usage per Customer (000)	100.9	81.3	51.9	61.7

Molokai Public Utilities, Inc.
Summary Usage, and Customer Counts
Test Year Ending June 30, 2010

Summary -- July 2007 to October 2009

Line #	Description	[1]	[2]	[3]	[4]
		12 Months Ended			Four Months Ended
		6/30/07	6/30/08	6/30/09	10/31/09
<u>TOTAL ALL</u>					
34	Gallons billed in 000 gallons	258,637	225,215	155,047	59,464
35	# of customers for Usage Billing	<u>2,342</u>	<u>2,466</u>	<u>2,532</u>	<u>838</u>
36	Average Usage per Customer (000) (L 31 / L 32)	<u>110.4</u>	<u>91.3</u>	<u>61.2</u>	<u>71.0</u>
<u>CUSTOMERS</u>					
37	# of Customers (1) CC	12	12	3	4
38	# of Customers (100) WA	-	4	5	-
39	# of Customers (201) MIS	-	-	-	-
40	# of Customers (250)	2,203	2,306	2,384	799
41	# of Customers (251)	12	12	12	4
42	# of Customers (253)	12	12	12	4
43	# of Customers (254)	36	36	37	14
44	# of Customers (255)	24	24	25	10
45	# of Customers (257)	60	65	60	20
46	# of Customers (258)	24	26	24	8
47	# of Customers (259)	6	3	22	-
48	# of Customers (260) TPI	8	-	-	-
47	# of Customers (305) TPI	3	-	-	-
48	Total Customers For Monthly Charge	<u>2,400</u>	<u>2,500</u>	<u>2,584</u>	<u>863</u>

Molokai Public Utilities, Inc.
Summary Usage, and Customer Counts
Test Year Ending June 30, 2010

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]
		2006						2007						Fiscal Year Ended 6/30/08
		July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
5/8" meter (200)														
1	Gallons billed in 000 gallons	6,200	8,056	7,656	5,626	4,923	4,792	4,709	5,571	4,935	5,321	6,307	7,537	71,633
2	# of customers for Usage Billing	174	174	174	174	178	179	180	179	180	182	182	182	2,138
3	Average Usage per Customer (000) (L 1 / L 2)	35.6	46.3	44.0	32.3	27.7	26.8	26.2	31.1	27.4	29.2	34.7	41.4	33.5
1.0" meter (201)-MIS														
4	Gallons billed in 000 gallons	2,113	2,363	2,400	2,120	1,774	1,533	1,725	2,058	2,094	2,073	2,268	1,046	23,565
5	# of customers for Usage Billing	1	1	1	1	1	1	1	1	1	1	1	1	12
6	Average Usage per Customer (000) (L 4 / L 5)	2,113.0	2,363.0	2,400.0	2,120.0	1,774.0	1,533.0	1,725.0	2,058.0	2,094.0	2,073.0	2,268.0	1,046.0	1,963.8
1.0" meter (202)														
7	Gallons billed in 000 gallons	1,555	1,716	1,974	1,440	245	544	746	1,438	1,492	1,542	152	793	13,637
8	# of customers for Usage Billing	1	1	1	1	1	1	1	1	1	1	1	1	12
9	Average Usage per Customer (000) (L 7 / L 8)	1,555.0	1,716.0	1,974.0	1,440.0	245.0	544.0	746.0	1,438.0	1,492.0	1,542.0	152.0	793.0	1,136.4
1.5" meter (203)														
10	Gallons billed in 000 gallons	1,679	1,998	2,128	1,524	1,417	1,142	1,467	1,792	1,266	1,669	1,850	1,472	19,624
11	# of customers for Usage Billing	2	2	2	2	2	2	2	2	2	2	2	2	24
12	Average Usage per Customer (000) (L 10 / L 11)	939.5	999.0	1,064.0	762.0	708.5	571.0	733.5	896.0	633.0	844.5	925.0	736.0	817.7
2.0" meter (204)														
13	Gallons billed in 000 gallons	560	778	726	735	276	402	800	854	534	690	965	764	8,084
14	# of customers for Usage Billing	2	2	2	2	2	2	2	2	2	2	2	2	24
15	Average Usage per Customer (000) (L 13 / L 14)	280.0	389.0	363.0	367.5	138.0	201.0	400.0	427.0	267.0	345.0	482.5	382.0	336.8
3.0" meter (205)														
16	Gallons billed in 000 gallons	7,828	8,380	8,223	6,723	5,985	6,434	6,712	7,015	6,780	8,457	7,863	5,111	85,291
17	# of customers for Usage Billing	3	3	3	3	3	3	3	3	3	3	3	3	36
18	Average Usage per Customer (000) (L 16 / L 17)	2,609.3	2,793.3	2,741.0	2,241.0	1,995.0	2,144.7	2,237.3	2,338.3	2,253.3	2,819.0	2,554.3	1,703.7	2,369.2
4.0" meter (206)														
19	Gallons billed in 000 gallons	312	1,324	1,124	401	362	458	241	534	208	263	519	334	6,080
20	# of customers for Usage Billing	7	7	7	7	7	7	7	7	7	7	7	7	64
21	Average Usage per Customer (000) (L 19 / L 20)	44.6	189.1	160.6	57.3	51.7	65.4	34.4	76.3	29.7	37.6	74.1	47.7	72.4

Motokai Public Utilities, Inc.
Summary Usage, and Customer Counts
Test Year Ending June 30, 2010

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]
		2006						2007						Fiscal Year Ended 6/30/08
		July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
"CC"														
22	Gallons billed in 000 gallons	765	921	804	625	362	420	232	1,193	320	150	731	635	7,158
23	# of customers for Usage Billing	1	1	1	1	1	1	1	1	1	1	1	1	12
24	Average Usage per Customer (000) (L 22 / L 23)	765.0	921.0	804.0	625.0	362.0	420.0	232.0	1,193.0	320.0	150.0	731.0	635.0	596.5
WA (100)														
25	Gallons billed in 000 gallons													-
26	# of customers for Usage Billing	0	0	0	0	0	0	0	0	0	0	0	0	0
27	Average Usage per Customer (000) (L 25 / L 26)	-	-	-	-	-	-	-	-	-	-	-	-	-
MIS (201) MIS														
TPI (260)														
28	Gallons billed in 000 gallons													-
29	# of customers for Usage Billing	0	0	0	0	0	0	0	0	0	0	0	0	0
30	Average Usage per Customer (000) (L 28 / L 29)	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ALL														
31	Gallons billed in 000 gallons	21,212	25,536	25,035	19,194	15,344	15,725	16,632	20,455	17,609	20,185	20,453	17,692	235,072
32	# of customers for Usage Billing	191	191	191	191	195	196	197	196	197	199	199	199	2,342
33	Average Usage per Customer (000) (L 31 / L 32)	111.1	133.7	131.1	100.5	78.7	80.2	84.4	104.4	89.4	101.4	102.8	88.9	100.4
Number of Customers for Monthly Charge														
34	# of Customers (1) CC	1	1	1	1	1	1	1	1	1	1	1	1	12
35	# of Customers (100) WA			0										0
36	# of Customers (201) MIS									1	(2)			
37	# of Customers (250)	179	179	179	179	183	184	185	184	185	192	187	187	2,203
38	# of Customers (251)	1	1	1	1	1	1	1	1	1	1	1	1	12
39	# of Customers (253)	1	1	1	1	1	1	1	1	1	1	1	1	12
40	# of Customers (254)	3	3	3	3	3	3	3	3	3	3	3	3	36
41	# of Customers (255)	2	2	2	2	2	2	2	2	2	2	2	2	24
42	# of Customers (257)	5	5	5	5	5	5	5	5	5	5	5	5	60
43	# of Customers (258)	2	2	2	2	2	2	2	2	2	2	2	2	24
44	# of Customers (259)	2	0	0	0		0	0	2	0	2		0	6
45	# of Customers (260) TPI		0	0		4	1	0	0	1		1	1	8
46	# of Customers (305) TPI										3			3
47	Total Customers For Monthly Charge	196	194	194	194	202	200	200	201	202	210	203	203	2,400

Molokai Public Utilities, Inc.
Summary Usage, and Customer Counts
Test Year Ending June 30, 2010

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]
		2007						2008						Fiscal Year Ended 6/30/08
		July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
5/8" meter (200)														
1	Gallons billed in 000 gallons	5,784	6,433	7,050	7,421	6,303	4,064	4,529	4,400	6,181	6,316	6,574	6,064	72,019
2	# of customers for Usage Billing	187	186	187	188	187	186	206	187	188	186	187	187	2,262
3	Average Usage per Customer (000) (L 1 / L 2)	30.9	34.6	37.7	39.5	33.7	21.8	22.0	23.5	32.9	34.0	35.2	37.2	31.8
1.0" meter (201)- MIS														
4	Gallons billed in 000 gallons	353	2,714	2,548	2,892	2,643	1,723	1,515	2,072	2,369	1,928	-	4,970	25,727
5	# of customers for Usage Billing	1	1	1	1	1	1	1	1	1	1	1	1	12
6	Average Usage per Customer (000) (L 4 / L 5)	353.0	2,714.0	2,548.0	2,892.0	2,643.0	1,723.0	1,515.0	2,072.0	2,369.0	1,928.0	-	4,970.0	2,143.9
1.0" meter (202)														
7	Gallons billed in 000 gallons	836	1,778	1,564	1,473	898	369	467	1,069	1,824	1,001	1,681	225	13,385
8	# of customers for Usage Billing	1	1	1	1	1	1	1	1	1	1	1	1	12
9	Average Usage per Customer (000) (L 7 / L 8)	936.0	1,778.0	1,564.0	1,473.0	898.0	369.0	467.0	1,069.0	1,824.0	1,001.0	1,681.0	225.0	1,115.4
1.5" meter (203)														
10	Gallons billed in 000 gallons	872	1,881	1,741	1,961	1,864	990	1,092	1,927	2,069	1,697	1,681	1,537	19,292
11	# of customers for Usage Billing	2	2	2	2	2	2	2	2	2	2	2	2	24
12	Average Usage per Customer (000) (L 10 / L 11)	436.0	940.5	870.5	980.5	932.0	495.0	546.0	963.5	1,034.5	848.5	830.5	768.5	803.8
2.0" meter (204)														
13	Gallons billed in 000 gallons	640	1,324	985	896	747	268	413	478	881	814	983	833	9,082
14	# of customers for Usage Billing	2	2	2	2	2	2	2	2	2	2	2	2	24
15	Average Usage per Customer (000) (L 13 / L 14)	320.0	662.0	492.5	448.0	373.5	144.0	206.5	239.0	340.5	407.0	491.5	416.5	378.4
3.0" meter (205)														
16	Gallons billed in 000 gallons	2,314	7,784	5,668	6,818	4,726	2,812	3,906	3,681	5,911	3,124	126	6	46,874
17	# of customers for Usage Billing	3	3	3	3	3	3	3	3	3	3	3	3	36
18	Average Usage per Customer (000) (L 16 / L 17)	771.3	2,594.7	1,888.7	2,272.7	1,575.3	937.3	1,302.0	1,227.0	1,970.3	1,041.3	42.0	2.0	1,302.1
4.0" meter (206)														
19	Gallons billed in 000 gallons	174	558	985	760	480	270	235	231	352	329	180	228	4,762
20	# of customers for Usage Billing	7	7	7	7	7	7	7	7	7	7	7	7	84
21	Average Usage per Customer (000) (L 19 / L 20)	24.9	79.7	140.7	108.6	68.7	38.6	33.8	33.0	50.3	47.0	25.7	32.6	56.7

Molokai Public Utilities, Inc.
Summary Usage, and Customer Counts
Test Year Ending June 30, 2010

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]
		2007						2008						Fiscal Year Ended 6/30/08
		July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
CC														
22	Gallons billed in 000 gallons	428	851	978	1,220	657	503	489	627	851	580	591	572	8,347
23	# of customers for Usage Billing	1	1	1	1	1	1	1	1	1	1	1	1	12
24	Average Usage per Customer (000) (L 22 / L 23)	428.0	851.0	978.0	1,220.0	657.0	503.0	489.0	627.0	851.0	580.0	591.0	572.0	695.6
WA (100)														
25	Gallons billed in 000 gallons	-	-	-	-	-	-	-	-	-	-	-	-	-
26	# of customers for Usage Billing	0	0	0	0	0	0	0	0	0	0	0	0	0
27	Average Usage per Customer (000) (L 25 / L 26)	-	-	-	-	-	-	-	-	-	-	-	-	-
TP1 (260)														
28	Gallons billed in 000 gallons	-	-	-	-	-	-	-	-	-	-	-	-	-
29	# of customers for Usage Billing	0	0	0	0	0	0	0	0	0	0	0	0	0
30	Average Usage per Customer (000) (L 28 / L 29)	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ALL														
31	Gallons billed in 000 gallons	11,501	23,323	21,517	23,441	18,398	11,019	12,646	14,485	20,238	15,789	11,796	15,335	199,486
32	# of customers for Usage Billing	204	203	204	205	204	203	223	204	205	203	204	204	2,466
33	Average Usage per Customer (000) (L 31 / L 32)	56.4	114.9	105.5	114.3	90.2	54.3	56.7	71.0	98.7	77.8	57.8	75.2	80.9
Number of Customers for Monthly Charge														
34														
35	# of Customers (1) CC	1	1	1	1	1	1	1	1	1	1	1	1	12
36	# of Customers (100) WA			0							2	1	1	4
37	# of Customers (201) MIS													
38	# of Customers (250)	188	191	192	192	192	191	199	191	192	191	192	195	2,306
39	# of Customers (251)	1	1	1	1	1	1	1	1	1	1	2	0	12
40	# of Customers (253)	1	1	1	1	1	1	1	1	1	1	2	0	12
41	# of Customers (254)	3	3	3	3	3	3	4	3	3	3	2	3	36
42	# of Customers (255)	2	2	2	2	2	2	2	2	2	2	2	2	24
43	# of Customers (257)	5	5	5	5	5	8	8	8	5	5	5	5	65
44	# of Customers (258)	2	2	2	2	3	3	2	2	2	2	2	2	28
45	# of Customers (260) TP1	1	2	0										3
45	Total Customers For Monthly Charge	204	208	207	207	208	210	216	207	207	208	209	209	2,500

[illegible]

Molokai Public Utilities, Inc.
Summary Usage, and Customer Counts
Test Year Ending June 30, 2010

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]
		2008						2009						Fiscal Year Ended 6/30/09
		July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
CC														
22	Gallons billed in 000 gallons	753	956	297										2,006
23	# of customers for Usage Billing	1	1	1	0	0	0	0	0	0	0	0	0	3
24	Average Usage per Customer (000) (L 22 / L 23)	753.0	956.0	297.0	-	-	-	-	-	-	-	-	-	668.5
WA (100)														
25	Gallons billed in 000 gallons	-	-	-										-
26	# of customers for Usage Billing	0	1	1	0	0	0	0	0	0	0	0	0	2
27	Average Usage per Customer (000) (L 25 / L 26)	-	-	-	-	-	-	-	-	-	-	-	-	-
TPI (250)														
28	Gallons billed in 000 gallons	-	-	8,595	9,712	8,786	4,468	4,846	5,560	8,454	9,253	9,507	9,487	78,666
29	# of customers for Usage Billing	0	0	-	208	207	213	207	209	209	209	209	209	1,880
30	Average Usage per Customer (000) (L 28 / L 29)	-	-	-	46.7	42.4	21.0	23.4	26.6	40.4	44.3	45.5	45.4	41.8
TOTAL ALL														
31	Gallons billed in 000 gallons	12,929	15,524	15,277	11,691	11,005	6,120	6,717	7,366	10,403	11,127	11,449	11,055	130,663
32	# of customers for Usage Billing	214	215	214	209	206	214	208	210	210	210	210	210	2,532
33	Average Usage per Customer (000) (L 31 / L 32)	60.4	72.2	71.4	55.9	52.9	28.6	32.3	35.1	49.5	53.0	54.5	52.6	51.6
Number of Customers for Monthly Charge														
34														
35	# of Customers (1) CC	1	1	1	-	-	-							3
36	# of Customers (100) WA	1	1	1	-	1	1							5
37	# of Customers (201) MIS	1	-	2	1	1	1	1	1	1	1	1	1	
38	# of Customers (250)	203	205	201	197	196	197	196	196	197	197	199	196	2,364
39	# of Customers (251)	1	1	1	1	1	1	1	1	1	1	1	1	12
40	# of Customers (253)	1	1	1	1	1	1	1	1	1	1	1	1	12
41	# of Customers (254)	3	3	3	3	3	3	3	4	3	3	3	3	37
42	# of Customers (255)	3	2	2	2	2	2	2	2	2	2	2	2	25
43	# of Customers (257)	5	5	5	5	5	5	5	5	5	5	5	5	60
44	# of Customers (258)	2	2	2	2	2	2	2	2	2	2	2	2	24
45	# of Customers (260) TPI	14	6	-	-	-	-		1	1				22
45	Total Customers For Monthly Charge	235	227	219	212	212	213	211	215	213	212	214	213	2,584

Molokai Public Utilities, Inc.
Summary Usage, and Customer Counts
Test Year Ending June 30, 2010

Line #	Description	{ 1 }	{ 2 }	{ 3 }	{ 4 }	{ 5 }	{ 6 }	{ 13 }
		2009						UPDATE
		July	Aug	Sept	Oct			10/31/09
5/8" meter (200)								
1	Gallons billed in 000 gallons							-
2	# of customers for Usage Billing	0	0	0	0	0	0	0
3	Average Usage per Customer (000) (L 1 / L 2)	-	-	-	-	-	-	-
1.0" meter (201)- MIS								
4	Gallons billed in 000 gallons	2,096	2,074	2,040	1,768			7,978
5	# of customers for Usage Billing	1	1	1	1	0	0	4
6	Average Usage per Customer (000) (L 4 / L 5)	2,096.0	2,074.0	2,040.0	1,768.0	-	-	1,992.0
1.0" meter (202)								
7	Gallons billed in 000 gallons							-
8	# of customers for Usage Billing	0	0	0	0	0	0	0
9	Average Usage per Customer (000) (L 7 / L 8)	-	-	-	-	-	-	-
1.5" meter (203)								
10	Gallons billed in 000 gallons							-
11	# of customers for Usage Billing	0	0	0	0	0	0	0
12	Average Usage per Customer (000) (L 10 / L 11)	-	-	-	-	-	-	-
2.0" meter (204)								
13	Gallons billed in 000 gallons							-
14	# of customers for Usage Billing	0	0	0	0	0	0	0
15	Average Usage per Customer (000) (L 13 / L 14)	-	-	-	-	-	-	-
3.0" meter (205)								
16	Gallons billed in 000 gallons							-
17	# of customers for Usage Billing	0	0	0	0	0	0	0
18	Average Usage per Customer (000) (L 16 / L 17)	-	-	-	-	-	-	-
4.0" meter (206)								
19	Gallons billed in 000 gallons							-
20	# of customers for Usage Billing	0	0	0	0	0	0	0
21	Average Usage per Customer (000) (L 19 / L 20)	-	-	-	-	-	-	-

Molokai Public Utilities, Inc.
Summary Usage, and Customer Counts
Test Year Ending June 30, 2010

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[13]
		2009						UPDATE: 10/31/09
		July	Aug	Sept	Oct	Nov	Dec	
"CC"								
22	Gallons billed in 000 gallons		-					-
23	# of customers for Usage Billing	0	0	0	0	0	0	0
24	Average Usage per Customer (000) (L 22 / L 23)	-	-	-	-	-	-	-
WA (100)								
25	Gallons billed in 000 gallons	-	-	-				-
26	# of customers for Usage Billing	0	0	0	0	0	0	0
27	Average Usage per Customer (000) (L 25 / L 26)	-	-	-	-	-	-	-
RCM MPU 9-29-09.xls								
TPI (260)								
28	Gallons billed in 000 gallons	10,370	9,041	12,995	11,102			43,508
29	# of customers for Usage Billing	207	210	208	209	(0)	(0)	834
30	Average Usage per Customer (000) (L 28 / L 29)	50.1	43.1	62.5	53.1	-	-	52.2
TOTAL ALL								
31	Gallons billed in 000 gallons	12,466	11,115	15,035	12,870	-	-	51,486
32	# of customers for Usage Billing	208	211	209	210	0	0	838
33	Average Usage per Customer (000) (L 31 / L 32)	59.9	52.7	71.9	61.3	-	-	61.4
Number of Customers for Monthly Charge								
34		-						-
35	# of Customers (1) CC	1	1	1	1			4
36	# of Customers (100) WA							
37	# of Customers (201) MIS							
38	# of Customers (250)	198	201	200	200			799
39	# of Customers (251)	1	1	1	1			4
40	# of Customers (253)	1	1	1	1			4
41	# of Customers (254)	3	4	3	4			14
42	# of Customers (255)	2	4	2	2			10
43	# of Customers (257)	5	5	5	5			20
44	# of Customers (258)	2	2	2	2			8
45	# of Customers (260) TPI	-	-	-	-			-
45	Total Customers For Monthly Charge	213	219	215	216	-	-	863

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-2

Ref: Response to CA-IR-64.

- a. Please provide a copy of the EPA mandate regarding water quality requirements.

RESPONSE:

The Company cannot locate the initial notice of non-compliance of the Company's water treatment process which was initially issued in the 1990s, when the Company was under different ownership and management. This non-compliance was due to the fact that the Company's water treatment process was not recognized by the DOH and therefore, while there were no allegations that the water did not meet current standards, since the treatment process was not recognized it was in non-compliance and had to be changed. The Company worked with the DOH and in 2005 completed a replacement of the water treatment process which was approved by the DOH and is currently in place at the PWTP. A copy of the DOH letter dated January 24, 2006 is included as Attachment CA-SIR-2a.

- b. If not already provided elsewhere, please provide a copy of the notices or other documentation received from the EPA or DOH that noted or otherwise signified that water quality needed improvement.

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
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DOCKET NO. 2009-0048

CA-SIR-2 (cont.)

RESPONSE: See response to CA-SIR-2a.

- c. If the plant in service item in question was required due to water quality issues, please explain why the backwash process was affected.

RESPONSE: The plant changed the treatment process and also the location of the actual treatment. This change impacted and improved the backwash process. The old backwash system required approximately 30% of total production for backwashing activity. The new system has reduced the backwash requirement to an average of 10% of the total production.

- d. If not already explained elsewhere, please explain why a solution to eliminate the backwash can not be implemented.

RESPONSE: To the Company's knowledge, all water filter systems require some sort of backwashing activity for the filters to maintain the operational efficiencies and meet water quality requirements.

- e. Please provide workpapers that identify and support the change in the amount of backwash as a result of the plant.

RESPONSE: The Company does not have documents that show the improvement of the water used for the backwash activity

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
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DOCKET NO. 2009-0048

CA-SIR-2 (cont.)

between the old system and the existing system. However, observations by Company personnel verified that there is a significant reduction in the amount of water required for the backwash process using the new system. See Attachment WMA-SIR-7a for a copy of the Company's current calculations regarding water used for the backwash process.

- f. Please provide reports or other documentation that supports any assertion that the water quality achieved after the plant installation has increased.

RESPONSE: See Attachment CA-SIR-2a.

- g. In response to CA-IR-65, the Company indicates that only one complaint was received during the period from the last rate proceeding until the instant proceeding. Please explain why, if only one complaint was received, plant additions to address water quality were necessary.

RESPONSE: See response to part (a) above. The Company believes that the water quality, before and after the replacement of the water treatment system was made to comply with the DOH/EPA mandate, was satisfactory. The only complaint was due to sediment in the water that resulted after a fire incident which caused disruption in the water lines and

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DOCKET NO. 2009-0048

CA-SIR-2 (cont.)

required the Company to purge the system to remove the
sediment.

SPONSOR: Robert O'Brien

**ATTACHMENT
CA-SIR-2a**

*dates to 231
Maunaloa DCZ
230 Kaluakoi was
merged into
231 Maunaloa-
Kaluakoi*

January 24, 2006

Mr. Harold Edwards
Senior Vice President
Molokai Properties Limited
745 Fort Street Mall, Suite 600
Honolulu, HI 96813

Dear Mr. Edwards:


SUBJECT: CLOSURE OF DOCKET NO. 93-SDW-EO-12, KALUAKOI WATER SYSTEM
SECOND AMENDED CONSENT ORDER

The final Second Amended Consent Order was signed by Molokai Ranch, Ltd. on October 14, 2004, with a revised project completion date of September 15, 2005. Molokai Ranch Ltd. constructed a package conventional treatment plant large enough to treat water from both the Molokai Irrigation System and the existing Maunaloa water system surface water source. Molokai Ranch, Ltd. received approval to use the water treatment plant on September 14, 2005. This single treatment plant has been providing water to both water systems, and the Kaluakoi water system has been consolidated into the Maunaloa water system, effective September 15, 2005.

Molokai Ranch, Ltd. has complied with the terms of the Second Amended Consent Order, and this Second Amended Consent Order is completed and closed.

If you have questions, please call Ann Zane at 586-4258.

Sincerely,



THOMAS E. ARIZUMI, P.E., CHIEF
Environmental Management Division

AZ:slm

c: Bill Cooper, Deputy Attorney General
Gordon Muraoka, SDWB Sanitarian, Maui
SDWB Engineering Section

ENFORCE(93-SDW-EO-12A.WPD)

JAN 26 2006

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-3

Ref: Response to CA-IR-68.

- a. The Company indicates that it does not have any document that would support the assertion that no plant currently reflected in the Company's plant in service balance was written off in its entirety for tax purposes. Please confirm or refute that the Company, in reviewing the appropriate consolidated tax returns and supporting workpapers, could verify whether any plant was written of for tax purposes. If this understanding is incorrect, please explain.

RESPONSE:

In reviewing the tax data again, the Company believes that no depreciable plant recorded on the Company's accounting records was purposely written off for tax purposes. However, the actions taken by the tax preparation firm not to include certain plant capitalized for book purposes as capitalized for tax purposes could have had the same affect. Mr. O'Brien, in his review of the tax workpapers for the fiscal years ended June 30, 2006 confirmed that plant capitalized for book purposes that was not included as capitalized for tax purposes but also was not included as part of the expenses for tax purposes. The tax accountants, as more fully discussed in response to CA-IR-28, believed that the

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
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DOCKET NO. 2009-0048

CA-SIR-3 (cont.)

\$1,012,378 was transferred from CWIP to a deferred asset account. While it could be possible that other plant capitalized for book purposes and not capitalized for tax purposes was included as an expense on the tax return, it is also likely that the other plant was also simply not included as an expense.

- b. If no document exists to verify, please state the basis of the Company's assertion that, to the best of its knowledge, no item was written off.

RESPONSE:

The basis is the conversation between Mr. O'Brien and the tax accountants as more fully described in the response to CA-IR-28 and CA-IR-68.

- c. Given the observation regarding the differences in the plant items reflected for book and tax purposes and the Company's recommendation articulated in its response to CA-IR-28, please provide further discussion as to how the Company can assert that it, or its parent company, did not write off any item in its entirety for tax purposes.

RESPONSE:

See response to part (a) above. The fact that the \$1,012,378 for the water treatment plant which was capitalized for book purposes during the fiscal year ended

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
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CA-SIR-3 (cont.)

June 30, 2006 was not capitalized for tax purposes and was not expensed during that year supports the position that the other differences where the book plant additions exceed the tax plant additions could have been treated in the same manner. In addition, as shown on Attachment CA-IR-28a, the total difference between book and tax plant capitalized is \$1,152,906 (line 41), which includes the \$1,012,378 on line 22. This means that the book capitalized plant is only approximately \$140,000 greater than the tax capitalized plant which limits the amount of plant that could have been expensed for tax purposes and capitalized for book. Finally, the Company did not see any Schedule M items that addressed items capitalized for book but expensed for tax purposes. The tax accountants did not recall any such items for the MPU portions of the tax returns.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-4

Ref: Response to CA-IR-71d.

- a. Please state the basis for determining that there "will be minor savings in maintenance and a small reduction in employee time." Please provide copies of any supporting documentation.

RESPONSE:

The minor savings in maintenance will be realized by not having to provide as much maintenance on the external portable generator used to power to the fans used to cool the building. In addition, employees will spend a little less time turning on the generator since the new unit is self starting and stopping. The purpose of installing the cooling unit was to provide the proper atmosphere for the operation of the equipment at Well 17.

- b. Please quantify what those minor savings will be and provide copies of the workpapers that support the estimate.

RESPONSE:

The Company estimates that there would be a savings of approximately one hour per week on average during the course of a year. The estimate is based on discussions with Company personnel who are responsible for the work at Well 17. See response to CA-SIR-6b.1 for a discussion of

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DOCKET NO. 2009-0048

CA-SIR-4 (cont.)

how the Company plans to utilize the time savings from this and other activities.

- c. Please quantify the additional operating expenses and provide copies of the workpapers that support the Company's estimate.

RESPONSE:

The Company does not believe there are additional quantifiable operating expenses since the cooling unit is operated from the power generated by the equipment at Well 17.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-5

Ref: Response to CA-IR-71d.

- a. If the Company is not anticipating any lateral placements during the test year, please explain why it was necessary to buy the unit in the test year.

RESPONSE:

The Company anticipates that it would make several lateral replacements during the test year. The use of a lateral replacement tool will allow the Company to replace water lines running under a roadway more efficiently and cost effectively than having to manually break the pavement of the roadway and dig up the water line, replace the line and then repave the roadway. The Company believes it is best practice to replace a water line once it has developed one or at most two leaks. In those instances, the section of road with the leak is cleared and the leak is repaired. A second leak in the same pipe is also repaired in the same manner. This activity, locate the leak and clear only the location necessary to clamp the leak, requires much less effort than a complete replacement of the water line. Once a second leak is detected in the same line, it indicates that the entire line is wearing and should be replaced. Because the manual replacement is very time consuming, this is not done until

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CA-SIR-5 (cont.)

there are 5 or 6 leak replacements since it requires the excavation of the entire water line under a roadway. Use of the \$3,000 lateral replacement tool will permit the Company to replace the water line after the second leak with an effort equal to or less than the clamping of the leak. The Company has one or two leaks a month that are currently clamped. It is believed that a lateral replacement tool will enable the Company to replace more lateral lines and therefore improve service and reduce water losses over time. Purchasing the unit now, in the test year, will enable the Company to begin replacing leaky water lines which should lead to an improved water delivery system in the future. The use of the lateral replacement tool will reduce the Company's time for replacement of a lateral from 24 total hours by about two-thirds (to approximately 7 to 10 hours) and reduce the cost for road repair (approximately \$300 per lateral replacement). The use of the lateral replacement tool will also reduce future repair costs to the road repair which is done with a "cold patch" which has to be repaired periodically after the initial repair.

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
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DOCKET NO. 2009-0048

CA-SIR-5 (cont.)

- b. Please state and identify the project date when the equipment is anticipated to be used.

RESPONSE: There is no specific project date when the \$3,000 lateral replacement tool will be used. The Company will use it several times a year in the normal course of operations as water lines are determined to require replacement because they have leaked and been clamped before.

- c. Please confirm that lateral placements have been done in the past.

RESPONSE: It is confirmed that water lines under roadways, which is when the lateral replacement tool will be used, have been done in the past without the tool. The latest lateral replacement when the tool could have been used to facilitate the water line replacement was in October 2009.

1. If done in the past, identify the projects and provide the labor hours incurred as well as the total expenses itemized by labor and non-labor categories.

RESPONSE: Two of the recent lateral replacements were to replace the connection between the Company's water main and the meter leading to a customer premises, on the Company side of the meter. Such a

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CA-SIR-5 (cont.)

replacement was made to the meter serving Lot # 31 Moana Makani Subdiviaion and another to the meter serving Lot # 30 Papohaku Ranchlands. It normally takes a total of 24 man-hours (3 employees for 8 hours each) for the complete replacement. The cost would depend on the actual employees assigned to the lateral replacement. In addition, the Company would incur the costs for road repair where a process of "cold-patch" is used. This cost approximately \$300 in materials. However, the cold patch needs to be serviced and repaired or replaced every six-months (more often in periods of heavy rainfall).

2. Assuming that such projects were done in the past and reflected in the historical expenses, please identify the adjustments that should be made to reflect normalized activity that should occur once the equipment has been purchased.

RESPONSE:

There are no adjustments to be made in the test year. Since the amount of time required for the average lateral replacement approximates the same amount of time for a leak repair, there will be little impact for the

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
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CA-SIR-5 (cont.)

first several years. Once the Company begins replacing 1" and 1-1/4" Hi Density Poly Ethylene water lines instead of clamping the leaks, there should be a reduction in the number of leaks and therefore a reduction on time spent by Company personnel on leak repair. As will be more fully described in response to CA-SIR-6b.1, the Company will use this time savings (which should not be experienced for several years in this activity) to implement service quality activities such as water main flushing and other preventive maintenance programs which cannot be accomplished at this time due to the staffing levels and maintenance requirements.

SPONSOR: Robert O'Brien

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DOCKET NO. 2009-0048

CA-SIR-6

Ref: Response to CA-IR-71g.

- a. If the Company does not install the meters, does the Company anticipate that it would need to require overtime to reflect the labor necessary to conduct both the meter reading and the repairs and maintenance that the Company plans to conduct?

RESPONSE:

No, see response to part (b.1) below.

- b. Assuming that the proposed capital investment is included in the test year rate base, please explain why there should be no effort to reduce labor hours related to overtime or other labor charges related to the time previously required to read meters.

RESPONSE:

There is no overtime incurred or expected by the Company. The time saved in the meter reading activity from the installation of the new meters will, as described in more detail in response to part (b.1) below, be used for preventative maintenance.

1. If it is the Company's contention that labor hours do not need to be modified, please identify the maintenance projects and provide the maintenance schedules conducted in the past three years and

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CA-SIR-6 (cont.)

provide the maintenance schedules anticipated to be used in the next three years and the maintenance projects to be conducted.

RESPONSE:

In the past, due to current staffing and the geographic diversity of the water system, the Company personnel have only performed maintenance that was required by certain equipment manufacturer's guidelines and to address needs as they arise. The Company personnel have not embarked on preventative maintenance activities. The addition of the new meters, the lateral replacement tool and the cooling unit for Well 17 will provide savings in employee time which will allow the Company to initiate preventative maintenance activities such as a water line flushing program, a leak detection program, a Preventative Maintenance program, erosion control and other activities which will provide a more secure system and reduce future maintenance costs. Since these programs have not been instituted in the past and would not be implemented during the test year, the benefits to the Company and its customers would not

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CA-SIR-6 (cont.)

be reflected in the test year, but should be in place in three to five years. If the Company does not acquire these assets and does not free employee time as discussed, the preventative maintenance programs will not likely be implemented because there would be no time available without the addition of new personnel or the establishment of overtime.

2. If the Company cannot demonstrate that the quantity and/or complexity of the maintenance projects are increasing, please explain why there should be no test year normalizing adjustment related to the inclusion of the meters in the test year rate base.

RESPONSE:

See response to part (b.1) above. The Company will use the time saved for preventative maintenance which should provide benefits three to five years in the future.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-7

Ref: Response to CA-IR-77.

- a. The Company indicates that over the past five years, it has investigated a number of alternatives. Please provide a copy of that analysis or analyses.

RESPONSE:

The reviews of the alternatives, which have been done by employees of MPL at no charge to MPU, have not been documented in writing and therefore copies are not available.

- b. Please explain whether the Company and all of its affiliates (on a consolidated basis) would be able to qualify for a different plan. Please provide a copy of the appropriate analysis.

RESPONSE:

If the question is whether employees of MPU could qualify for another plan with the same level of benefits the answer is yes. However, since MPL, on a consolidated basis, regularly reviews its program with its brokers to ensure that the best rate is obtained, it is unlikely that the MPU employees could obtain that coverage at a lower cost.

SPONSOR:

Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-8

Ref: Response to CA-IR-80.

If the Company does not have any documentation that supports the Company's assertion regarding whether only the employee's costs were charged to the Company, please identify the basis for the Company's contention that only company-related expenses were paid by the Company.

RESPONSE:

As describe in response to CA-IR-80, each trip where expenses are charged to the Company is approved before the travel occurs. In addition, in most instances, the airline tickets (mainly between Molokai and Oahu) for Company or MPL employees on Company business and the hotel costs (where required) are paid directly by the Company. Other expenses, such as transportation and parking are not reimbursed if they appear to be unreasonable. The Company believes that, since most of the expenses are directly paid (airfare and hotel) the remainder of the \$333 per month average cost is not significant enough to warrant the costs of additional oversight which would be required of MPL employees. Finally, the Company has sufficient confidence that its employees do not violate policy on what can be reimbursed by the Company.

SPONSOR:

Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-9

Ref: Response to CA-IR-38.

The Company's response asserts that manufacturer's guidelines, where applicable, are followed or perform maintenance as needed for those without manufacturer's manuals.

- a. Please elaborate on what type of maintenance is performed on an as-needed basis and the applicable plant or equipment.

RESPONSE:

The Company performs scheduled maintenance on

- Well 17 engine every 300 running hours;
- Well Head annually
- Pumps at Mahana
- PWTP on its pumps and motors
- PWTP on the chemical maintenance pumps

- b. Please discuss the type of maintenance that is performed as needed. In other words, does the Company perform maintenance only when something needs to be fixed or does it have other maintenance activities such as preventative maintenance? Please discuss.

RESPONSE:

In general, the Company only performs maintenance when plant requires fixing or when it is evident that maintenance work needs to be accomplished. Since there is only a

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-9 (cont.)

six-person workforce with a restriction on overtime available to provide service to the customers and geographically diverse service territory of MPU, WOM and MOSCO, there is insufficient time to do preventative maintenance. As discussed in response to CA-SIR-6b.1, the Company believes that the addition of the lateral replacement tool and new meters will, over time, allow the Company to begin preventative maintenance programs which will provide benefits three to five years in the future.

- c. The Company indicates that there is no "logged maintenance records for Well 17." In addition, the Company's responses to CA-IR-38 suggest that the Company keeps no logs of any kind to memorialize the maintenance that is done.

1. Please confirm that this understanding is correct.

RESPONSE:

It is confirmed.

2. Please explain why no log of any kind is maintained.

RESPONSE:

As discussed in response to part (b) above, the Company utilizes its personnel to provide service to its customers and to maintain its equipment. This would also include compliance with all Federal, state,

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-9 (cont.)

county and local requirements. Since there is no requirement to maintain such a log and Company employees monitor the well daily, the Company has not allocated time for the preparation, maintenance and validation of such records.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-10

Ref: Response to CA-IR-39.

- a. Please provide a schedule that reflects the accumulated net operating losses that are available for income tax purposes. The information should include, but not be limited to the following:

RESPONSE:

1. The amount available for State income tax purposes;
The accumulated net operating losses available for income tax purposes for MPU is \$656,970.

RESPONSE:

2. The amount available for Federal income tax purposes; and

The accumulated net operating losses available for income tax purposes for MPU is \$656,970.

3. The amount of losses expiring in 2009 – 2014, detailed by year.

RESPONSE:

There are no operating losses expiring in the years 2009 to 2014.

- b. If there are net operating losses available for decreasing the calculated income tax expense, but those losses are not recognized for regulatory purposes, the Company will essentially be able to recover an expense that it will not

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-10 (cont.)

actually incur. Please provide the authoritative basis for this position.

RESPONSE:

No. The fact that the Company has a net operating loss ("NOL") means that the Company has not had sufficient revenue to recover its operating expenses. In those instances the Company's owners are funding the operations during the periods when NOLs are generated. The Company will have taxable income in a year once it has revenues that exceed its operating expenses. In those years, the Company will use the NOLs to offset that taxable income. Once the Company has recovered the losses funded in the past, it will actually pay income taxes on its income. The provision of income tax expense provides for the income taxes the Company will pay once it receives revenues from customers sufficient to require income tax payments.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-11

Ref: Response to CA-IR-42.

- a. The Company contends that the hypochlorine is a recurring cost in its response to CA-IR-42b. The Company does not provide the requested support to justify the contention that it is recurring. Please provide documentation that supports the Company's contention.

RESPONSE:

The Company must use chlorine throughout the system to provide safe potable drinking water based on Federal and state requirements.

- b. If not already provided, please provide a schedule of the last five hypochlorine purchases made by the Company. The schedule should provide:

1. the date of purchase;

RESPONSE:

See Attachment CA-SIR-11b

2. the amount purchased; and

RESPONSE:

See Attachment CA-SIR-11b

3. the total expense associated with each order.

RESPONSE:

See Attachment CA-SIR-11b

SPONSOR:

Robert O'Brien

**ATTACHMENT
CA-SIR-11b**

CA11B

Branch/Plant: 6499
 Invoice No: 64013439 RI
 Invoice Date: 10/01/09
 Salesperson: 30000674
 Ordered By:
 Customer PO: WTR 2874



Attachment CA-SIR-11b

Page: 1
 Date: 10/01/09
 Order Number: 64021231 SO
 Order Date: 10/01/09
 Ship Date:

MPV-610-01

Account Number: 72240

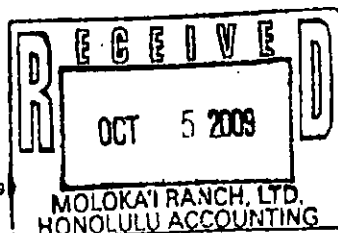
Account Number: 72240

Sold To:
 MOLOKAI RANCH, LTD.
 119 MERCHANT STREET, SUITE 408
 HONOLULU HI 96813

Ship To:
 MOLOKAI RANCH, LTD.
 DEL 10/1/09 ORD NO. 28553
 YB B/L 06634564

Phone: 808 5349549

Phone: 808 5349549



Note:

Line Number	Stock Description	Stock Number	Pricing	Quantity	UM	Unit Price	Extended Price	Tax
1.000	HYPOCHLOR 1250 330-GAL	103-3291				803.0000		
	Net Price	BB		1.000		803.0000	803.00	
	Per	BE						
	SUBTOTAL:						803.00	
	STATE TAX:						33.45	
	TOTAL:						836.45	

Approval: [Signature]
 Date: _____
 Description: _____
 Dept/Acct: # MPV-670
 OR Job: # _____
 Cost Code: # _____

Terms: Net 30 days
 A MONTHLY FINANCE CHARGE OF 1.50 % (18.00 %APR) WILL BE APPLIED TO THE REMAINING BALANCE OF ALL UNPAID INVOICES PAST THE INVOICE DUE DATE.
 RETURNED GOODS SUBJECT TO SERVICE CHARGE AT OUR DISCRETION



Sales Phone: (808) 532-7401
 For Invoice Inquiries: (808) 532-7456

Invoice Number: 64013439 RI
 Invoice Date: 10/01/09
 Due Date: 10/31/09
 Due Amount: 836.45

Please pay this amount. ▶ Total Amount Due:

Remit Payment To:

BEI HAWAII
 311 Pacific Street
 Honolulu HI 96817

Sold To: MOLOKAI RANCH, LTD. Number: 72240
 119 MERCHANT STREET, SUITE 408
 HONOLULU HI 96813

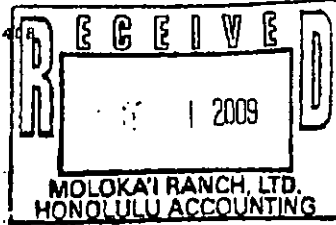
Attachment CA-SIR-11b

Branch/Plant: -6499
 Invoice No: 64013412 RI
 Invoice Date: 09/29/09
 Salesperson: 30000674
 Ordered By:
 Customer PO: WTR 2874



Page: 1
 Date: 9/29/09
 Order Number: 64021201 SO
 Order Date: 09/29/09
 Ship Date:

Sold To: MOLOKAI RANCH, LTD.
 119 MERCHANT STREET, SUITE 408
 HONOLULU HI 96813
 Account Number: 72240
 Ship To: MOLOKAI RANCH, LTD.
 DEL 9/24/09 ORD NO. 28530
 YB B/L 06634514
 Account Number: 72240



Phone: 808 5349549

Phone: 808 5349549

Note:

Line Number	Stock Description	Stock Number	Pricing Quantity	UM	Unit Price	Extended Price	Tax
1.000	HYPOCHLOR 1250 330-GAL	103-3291			803.0000		
Net Price			1.000		803.0000	803.00	
Per							
SUBTOTAL:						803.00	
STATE TAX:						33.45	
TOTAL:						836.45	

FORM 1001 (04/99)

Approval: [Signature]
 Date: _____
 Description: _____
 Dept/Acct #: MPU-610
 OR Job #: _____
 Cost Code #: _____

Terms: Net 30 days
 A MONTHLY FINANCE CHARGE OF 1.50 % (10.00 %APR) WILL BE APPLIED TO THE REMAINING BALANCE OF ALL UNPAID INVOICES PAST THE INVOICE DUE DATE.
 RETURNED GOODS SUBJECT TO SERVICE CHARGE AT OUR DISCRETION
 REMITTANCE ADVICE PLEASE RETURN WITH PAYMENT



Sales Phone: (808) 532-7401
 For Invoice Inquiries: (808) 532-7456

Invoice Number: 64013412 RI
 Invoice Date: 09/29/09
 Due Date: 10/29/09
 Total Amount Due: 836.45

Remit Payment To:

BEI HAWAII
 311 Pacific Street
 Honolulu HI 96817

Sold To: MOLOKAI RANCH, LTD.
 119 MERCHANT STREET, SUITE 408
 HONOLULU HI 96813
 Number: 72240

²³⁷⁹ Attachment CA-SIR-11b

0007224064013280000000000C836450478594

; 8085212278

006212278
Attachment CA-SIR-11b
Part: 1
Date: 8/13/09
Order Number: 64021020 60
Order Date: 08/13/09
Ship Date:

Ship To: MOLOKAI RANCH, LTD.
DEL 8/13/09 ORD NO. 28377
YB B/L 04524307

Phone: 800 534 9549

Note:

Line Number	Stock Description	Stock Number	Pricing Quantity	UM	Unit Price	Extended Price	Tax
1.000	HYPOCHLOR 1250 330-GAL	103-3291			803.0000		
		Net Price	BE	1.000	803.0000	803.00	
				BE			
					SUBTOTAL	803.00	
					TAX	33.45	
					TOTAL	836.45	

Approval	<i>RL</i>
Date	
Description	<i>MRV-610</i>
Dept/Acct	#
OR Job	#
Cost Code	#

FORM 1001 (04/98)

Terms: Net 30 days Not Due Date: 05/12/09 RETURNED GOODS SUBJECT TO SERVICE CHARGE AT OUR DISCRETION
 A MONTHLY FINANCE CHARGE OF 1.50 % (18.00 %APR) WILL BE APPLIED TO THE REMAINING BALANCE OF ALL UNPAID INVOICES PAST THE INVOICE DUE DATE.

BEI
HAWAII

REMITTANCE ADVICE PLEASE RETURN WITH PAYMENT

Invoice Number:	64013255 RI
Invoice Date:	08/13/09
Due Date:	09/12/09
	B36.45

Please pay this amount. ► Total Amount Due:

Remit Payment To:

BEI HAWAII
311 Pacific Street
Honolulu HI 96817

Sold To: HOLOKAI RANCH, LTD. Number:
119 MERCHANT STREET, SUITE 408
HONOLULU HI 96813

72240

00072240640132550000000000836450478596

Branch/Plant: 6499
Invoice No: 64013076 RI
Invoice Date: 06/19/09
Salesperson: 30000674
Ordered By:
Customer PO: WTR 2826



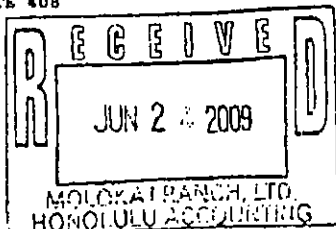
Attachment CA-SIR-11b
Page: 1
Date: 6/19/09
Order Number: 64020799 SO
Order Date: 06/19/09
Ship Date:

Sold To:
MOLOKAI RANCH, LTD.
119 MERCHANT STREET, SUITE 408
HONOLULU HI 96813

Account Number: 72240

Ship To:
MOLOKAI RANCH, LTD.
DEL 6/18/09 ORD NO. 28176
YB B/L 04524022

Account Number: 72240



Phone: 808 5349549

Phone: 808 5349549

Note:

Line Number	Stock Description	Stock Number	Pricing	Quantity	UM	Unit Price	Extended Price	Tax
1.000	HYPOCHLOR 1250 330-GAL	103-3291				851.0000		
			Net Price	2.000		851.0000	1,702.00	
						Per BE		
						SUBTOTAL:	1,702.00	
						STATE TAX:	70.91	
						TOTAL:	1,772.91	

Terms: Net 30 days
A MONTHLY FINANCE CHARGE OF 1.50 % (18.00 %APR) WILL BE APPLIED TO THE REMAINING BALANCE OF ALL UNPAID INVOICES PAST THE INVOICE DUE DATE
RETURNED GOODS SUBJECT TO SERVICE CHARGE AT OUR DISCRETION



Sales Phone: (808) 532-7401
For Invoice Inquiries: (808) 532-7456

Invoice Number: 64013076 RI
Invoice Date: 06/19/09
Due Date: 07/19/09
Total Amount Due: 1,772.91

Please pay this amount.

Remit Payment To:

BEI HAWAII
311 Pacific Street
Honolulu HI 96817

Sold To: MOLOKAI RANCH, LTD.
119 MERCHANT STREET, SUITE 408
HONOLULU HI 96813

Number: 72240

00072240640130760000000001772910478593

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-12

Ref: Response to CA-IR-43.

- a. Please provide a copy of the analysis that supports the allocation factors developed by the Company and an analysis that demonstrates that the calculated values still reflect reasonable estimates.

RESPONSE:

The Company does not have a copy of the analysis used to establish the allocations of the vehicles. The percentages were established by Mr. Harold Edwards in 2003 as part of his efforts to establish fair distributions of expense between the utility operations. However, when these allocation percentages are compared to the current and test year employee cost distributions shown on Workpaper MPU 10.1, the vehicle allocation percentages appear to be reasonable. The employee distribution percentages of 52.1%, 35.1% and 12.8% for MPU, WOM and MOSCO respectively are compared to the vehicle allocation percentages of 44%, 41% and 15% for MPU, WOM and MOSCO respectively. The slight increase in the percent of vehicle use for WOM reflects the fact that WOM must service the Mountain Water system facilities which require additional vehicle use.

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-12 (cont.)

- b. If not already explained elsewhere, please explain why the allocation factor for MOSCO is considerably lower than the other two utility companies.

RESPONSE: See response to CA-IR-33c.2.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-13

Ref: Response to CA-IR-44.

The information request sought documentation that supported any contention that expenses are recurring. The Company provided a copy of its trial balance. Please identify the relevant pages and items that relate to this expense type.

RESPONSE:

Attachment CA-SIR-13 provides the data from Attachment CA-IR-44a that shows the M&S amounts reflected in 2006 to 2008 are recurring. The relevant pages of Attachment CA-IR-44 are:

- Part B Pages 6 to 10
- Part C Pages 6 to 9
- Part D Pages 6 to 9

SPONSOR:

Robert O'Brien

**ATTACHMENT
CA-SIR-13**

[1] [2] [3] [4]

		Twelve Months Ended June 30,		
Line #	Description	2006	2007	2008
<u>M & S - Water - 610-610-00</u>				
1	Brewer Environmental	Caustic Potasium	575	
2	MWH Laboratories	Alkalinity - Carbon	170	
3	Aries Tek	Alum Chlorodydrate Chem	26,410	
4	Brewer Environmental	Potassium Permang	2,267	2,264
5	Aries Tek	Alum Chlorodydrate Chem - Month Amort	4,367	4,367
6	Aries Tek	Alum Chlorodydrate Chem - Month Amort	4,367	4,367
7	Aries Tek	Alum Chlorodydrate Chem - Month Amort	4,367	4,367
8	Aries Tek	Alum Chlorodydrate Chem - Month Amort		3,446
9	Aries Tek	Alum Chlorodydrate Chem - Month Amort		3,446
10	Aries Tek	Alum Chlorodydrate Chem - Month Amort		3,446
11	Aries Tek	Alum Chlorodydrate Chem - Month Amort		3,446
12	Aries Tek	Alum Chlorodydrate Chem - Month Amort		3,446
13	Aries Tek	Alum Chlorodydrate Chem - Month Amort		3,446
14	Aries Tek	Alum Chlorodydrate Chem - Month Amort		3,446
15	Aries Tek	Alum Chlorodydrate Chem - Month Amort		3,446
16	Other		190	791
17	Total	935	44,582	43,724
<u>M & S - Not Office - 610-610-01</u>				
18	US Blue Book	Gloves-Valves	386	
19	Hach Company	Beaker Lamp assembly	372	
20	Hach Company	Chlorine	133	
21	Hach Company	Chlorine	183	
22	MWH Labs	Alkalinity Carbon & Other Chem	1,800	520
23	Hi Food & Water Test	Chloriform	259	
24	Hach Company	Dionized Water	452	
25	MWH Labs	Alkalinity Carbon & Other Chem	340	
26	US Blue Book	Microscope & Slides	1,103	
27	MWH Labs	Alkalinity Carbon & Other Chem	830	
28	Brewer Environmental	potassium	378	
29	Dependable Hawn	Freight Charge for Chemical Ship	309	
30	MPL	Allocation of M&S	237	
31	Hillsborough Printer	Deliquent notices		1,037
32	Other		1,188	25
33	Total	7,424	2,402	1,582
<u>M & S - Chem & Testing Labs - 610-610-12</u>				
34	MHW Labs	Gloves-Valves	900	
35	Brewer Environmental	Beaker Lamp assembly	674	
36	MPL Employees	Petty Cash Reimbursement	124	491
37	MWH Labs	Chemicals		5,280
38	Kamaka Air	Freight		220
39	Other		106	1,001
40	Total	1,680	384	6,992
<u>M & S - Chem & Testing Freight- 610-610-22</u>				
41	Young Brothers	Freight	2,409	2,266
42	Federal Express	Beaker Lamp assembly	99	
43	Dependable Hawn	Freight	111	
44	MPL Employees	Petty Cash Reimbursement	248	
44	Other		-	-
45	Total	2,867	1,012	2,266

[1]

[2]

[3]

[4]

		Twelve Months Ended June 30,		
Line #	Description	2006	2007	2008
<u>M & S - Chem & Testing Ship- 610-610-23</u>				
46	MPL Employees Petty Cash Reimbursement	697		
47	Federal Express MWH Lab	80	237	72
48	Other	-	-	-
49	Total	<u>777</u>	<u>237</u>	<u>72</u>
<u>M & S - Chem & Testing - 610-610-30</u>				
50	Aries Tek Superfloc	930		
51	Brewer Environmental Various Chemicals	944	384	2,614
52	MPL Employees Petty Cash Reimbursement			496
53	Other	-	-	-
54	Total	<u>1,874</u>	<u>384</u>	<u>3,110</u>
<u>M & S - Sodium Hydrochloride- 610-610-31</u>				
55	Brewer Environmental Hydrochloride	9,435	9,628	9,006
56	Young Brothers Freight	78	78	260
57	Other	-	-	-
58	Total	<u>9,513</u>	<u>9,706</u>	<u>9,266</u>
<u>M & S - PWTP - 610-610-32</u>				
59	Aries Tek Chlorhydrate	20,908		
60	Brewer Environmental Westchlorine	24,677		
61	Other	25	162	
62	Total	<u>45,610</u>	<u>162</u>	<u>-</u>
<u>M & S - PWTP - 610-610-33</u>				
63	Aries Tek Superfloc	509		
64	Brewer Environmental Magna Floc & Postassium	2,504	1,509	
65	Other	-	-	
66	Total	<u>3,013</u>	<u>1,509</u>	<u>-</u>
<u>M & S - PWTP - 610-610-34</u>				
67		-		
68	Brewer Environmental Postssium & Sulfate	679	-	
69	Other	-	-	
70	Total	<u>679</u>	<u>-</u>	<u>-</u>
71	TOTAL M & S	<u>\$ 74,372</u>	<u>\$ 60,378</u>	<u>\$ 67,012</u>

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-14

Ref: Response to CA-IR-45.

- a. Given the described duties and the size of the Company, please explain and justify the time allocated by each position.

RESPONSE:

Given the size of MPU, the allocation requested for support services provided by MPL personnel is extremely reasonable. MPU is being charged for 52% of six employees who handle the operational requirements of serving MPU customers. All other financial and administrative activities are handled by employees of MPL at an annual expense of \$9,600 as included in the test year. For this \$800 per month charge, MPL employees handle all customer billing functions, cash receipts and manage customer accounts. In addition, MPL employees on Oahu handle all of the cash disbursement activities, including providing for employee benefits and payroll taxes as well as all other payroll functions. The MPL employees also maintain a full set of accounting records, prepare monthly, quarterly and annual financials and provide data for tax return preparation. Finally, the MPL employees also provide all services required by the Commission such as the monthly reporting ordered by the Commission and all other

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-14 (cont.)

Commission and other regulatory body reporting, including the extensive data being requested as part of this proceeding. The Company believes, with the closure of the MPL operations on Molokai, the allocations of time for the remaining MPL personnel should be increased to the remaining utility operations.

- b. If not already discussed elsewhere, please discuss whether the Company has investigated whether outsourcing the various duties might result in a lower cost of service. Please provide copies of requests that support the Company's response.

RESPONSE:

The Company has not investigated the use of an outsourcing the services performed by MPL personnel. Based on comparison with other utilities, the \$9,600 per year is very reasonable. For example, Mr. O'Brien is familiar with two water companies on the Island of Hawaii who use outside services for portions of just their accounting and financial requirements and incur costs in excess of \$10,000 per year. The provision of all administrative, accounting, financial and tax services for under \$10,000 is very reasonable.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-15

Ref: Response to CA-IR-46.

- a. Please provide a detailed comparison that would support a finding that the work done by outside sources related to financial and accounting functions are not duplicative of the costs already being allocated to the Company as discussed in the response to CA-IR-45.

RESPONSE:

The Company does not incur any outside services for financial and accounting functions and therefore there is no duplication.

- b. If not already explained, if the Company is already receiving allocations from positions such as the controller, COO, etc., please explain why outside services for financial purposes were required.

RESPONSE:

Other than the charges from MPL for the financial, administrative and accounting services, the Company does not incur charges for other outside financial services. The Company does employ external regulatory support when required for regulatory filings or proceedings.

SPONSOR:

Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO THE DIVISION OF
CONSUMER ADVOCACY'S SUPPLEMENTAL INFORMATION REQUESTS**

DOCKET NO. 2009-0048

CA-SIR-16

Ref: Response to CA-IR-52.

- a. Please confirm that there is a Company policy that limits the use of Company paid for cellular service to only utility related purposes. Please provide a copy of that policy.

RESPONSE:

There is no written policy regarding cell phone usage. Company personnel are instructed to use the Company provided cell phones for business purposes only. However, since these employees are frequently on the road, Company cell phones are infrequently used for personal purposes if required.

- b. Please discuss whether the Company has investigated other alternatives to decrease the overall communications expense.

RESPONSE:

The Company believes that its total communication expense for the test year of approximately \$300 per month is reasonable for the operation of MPU given the location of operational personnel and the administrative and other personnel in Honolulu. The communications required includes telephone systems for equipment monitoring, cell phone service, internet services and land line connections. The Company is not aware of any other services that could

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be provided that would save the Company any significant expense compared to the expense currently incurred.

1. If so, please provide the results of that analysis.

RESPONSE:

Not applicable, see response to part (b) above.

2. If not, please explain why not.

RESPONSE:

See response to part (b) above.

c. The Company's response indicates that there are no allocations. On various pages of the supporting documentation, there is a reference of "Rec cell phone alloc." Please explain that reference.

RESPONSE:

In the past, (up to December 2008 when the charging procedures changed and distributions from MPL were stopped) cell phone bills were allocated to each of the operations on Molokai using the allocation percentages used for vehicles and other expense items. Currently, cell phone bills are charged by employee. The charge for each cell phone is distributed to each of the operations on Molokai based on the payroll charges for each employee. For example if Employee # 1 charges 50% of his time to MPU, 40% to WOM and 10% to MOSCO in a particular month, then Employee # 1's cell phone charge will be charged to

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MPU, WOM and MOSCO using those percents. The "Rec
cell phone alloc" reference should not be used beginning
in 2009.

SPONSOR: Robert O'Brien

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CA-SIR-17

Ref: Response to CA-IR-24.

- a. Please discuss whether the Company has conducted any analyses to determine that it is more cost effective to procure all small capital additions and most materials and supplies items locally. If so, please provide a copy of that analysis.

RESPONSE:

All purchasing of small capital additions and most materials and supplies are done locally or by vendors the Company has dealt with in the past where Company employees believe the pricing is reasonable and competitive. These decisions and judgments are made by Company personnel through past knowledge and experience throughout the years.

- b. If the Company has not done such analysis, please explain why the Company contends that it is not worthwhile to investigate the possibility that it might be able to procure such items less expensively from vendors other than those present on Molokai.

RESPONSE:

First, through past experience Company employees know that certain items are a little more expensive when acquired locally but by the time an order is placed, the shipment is received with the additional shipping costs, the Company is

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better off purchasing the goods locally. In addition, MPU does not have personnel on Molokai that would be able to do the comparative shopping required for the small items being discussed and the MPL administrative and financial personnel do not have the expertise to take on the bidding and comparative process. The Company does use competitive bidding and comparative shopping for larger items and periodically for other items where long-term agreements can be negotiated for items needed for on a recurring basis where the costs could be more significant.

SPONSOR: Robert O'Brien

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CA-SIR-18

Ref: Response to CA-IR-24.

- a. The Company has reflected certain labor costs in its support for capital items. Please discuss whether the Company has conducted any analyses to determine the normalized level of payroll costs that should be re-classified as capital expenditures, instead of as an expense. If so, please provide a copy of that analysis.

RESPONSE:

The Company normally capitalizes labor only on large projects such as the construction of the water treatment plant in 2006. The Company has not capitalized labor for minor capital additions such as capital additions in the recent years, in the test year or capital additions in the foreseeable future. Therefore there should be no portion of the Company labor costs capitalized in the test year.

- b. If no such analysis has been conducted, please explain why not.

RESPONSE:

See response to part (a) above.

- c. Please explain why the Company has not reflected any line item to reduce the projected test year expense by labor that should be capitalized.

RESPONSE:

See response to part (a) above.

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CA-SIR-18 (cont.)

- d. Please provide copies of records that reflect the amount of MPUI labor and associated costs that have been capitalized in each of the past five years.

RESPONSE: The only labor capitalized during the last five years was \$8,260 which was capitalized in connection with the construction of the water treatment plant as provided with the supporting data provided in response to CA-IR-24.

SPONSOR: Robert O'Brien

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CA-SIR-19

Ref: Response to CA-IR-28.

- a. In its attachment, the Company appears to be recommending "that all income tax elements be removed from the cost of service and revenue requirements of both MPU and WOM." Please provide a detailed discussion of what the Company is recommending and how that recommendation should manifest in the test year revenue requirement determination.

RESPONSE:

The Company is recommending that all components of income taxes be removed from the determination of the revenue requirement and revenue increase in this proceeding. Income tax expense and the related rate base elements of ADIT and HCGETC are normally integral parts of establishing the revenue requirement of a utility. However, when neither the utility (as a stand-alone entity) or its parent (in the consolidated income tax return) have paid income taxes in recent years and because of net operating loss carry-forwards ("NOL") are unlikely to pay any income taxes in the future, it is difficult to support the inclusion of income tax expense as part of the establishment of the revenue requirement for the utility. This is also true

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regarding the deduction from rate base of the ADIT or HCGETC. In order for these rate base deductions to be taken, some entity would have to benefit from the deferral of the income tax (ADIT) or from the credit to state income taxes (HCGETC). When the utility, both under a stand-alone scenario and as part of a consolidated tax return, has NOLs which significantly exceed the tax benefits, there has been no benefit provided and therefore those rate base reductions cannot be taken. Currently MPU has an NOL of \$656,970, has reflected an income tax expense at proposed rates of \$4,607 (Exhibit MPU 6, column 3, line 27), no ADIT (Exhibits MPU 9, line 7 and MPU 9.6, line 31) and a HCGETC of \$199,317 (Exhibit MPU 9, line 8). Under these conditions, the Company's current proposal to remove all income tax components from the revenue requirement in this proceeding is the only way to recognize that income taxes are not appropriate in this instance.

- b. Given the integral role that income taxes and derivative elements, such as accumulated deferred income taxes, play in the determination of revenue requirements, please explain

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why it would be reasonable to simply "remove" the income tax elements.

RESPONSE: See response to part (a) above.

1. Please provide any and all known authoritative cites in this or any other jurisdiction where a commission approved of removing all income tax elements from a rate case.

RESPONSE: The Company is not aware of any other jurisdiction that has treated income taxes in this manner.

2. Regardless of whether any citations can be provided, please discuss whether it is the Company's assertion that removing all income tax elements from the test year would still yield a reasonable basis upon which to base rates. Please provide any and all supporting documentation.

RESPONSE: See response to part (a) above.

SPONSOR: Robert O'Brien

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CA-SIR-20

Ref: Response to CA-IR-28.

If not already provided elsewhere, please provide copies of the appropriate income tax exhibits and workpapers that reflect what the Company envisions under its recommendation to remove all income tax elements.

RESPONSE:

The Company proposes to remove Exhibits MPU 7 and MPU 9.6. This would also remove the income tax expense shown on Exhibit 6, line 27, change the Gross Revenue Conversion Factor on Exhibit MPU 6.1 to remove the income tax components on lines 7 to 9 and also remove Exhibits MPU 9.6 and MPU 9.7 which would remove the rate base elements of ADIT and HCGETC. The Company will make these changes to its exhibits when it prepares its rebuttal testimony.

SPONSOR:

Robert O'Brien

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CA-SIR-21

Ref: Response to CA-IR-28.

- a. If the Consumer Advocate understands the Company's proposal, at least some of the effect of the Company's recommendation will be to the customers' detriment. For instance, if there is no accumulated deferred income taxes and Hawaii state capital goods excise tax credit, rate base will be larger than it should have been. Please confirm this understanding.

RESPONSE:

Normally this would be correct. However, in its filed exhibits, MPU has no ADIT. In addition, while there would be a rate base increase that would increase revenue requirement, there would also be a decrease in income tax expense that would decrease the revenue requirement.

- b. If it is the Company's contention that such adverse effect would not occur, please provide support for this contention.

RESPONSE:

Based on the facts now known, since the Company, either as a stand-alone entity or being included as part of a consolidated income tax return, has not had sufficient taxable income to use the accelerated tax depreciation that would result in the ADIT or the state income tax credits that would result in the HCGETC, the Company has not used

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these tax elements and therefore there are no amounts that would be available to use as rate base reductions.

- c. If it is the Company's contention that such concerns are not relevant because of the large net operating loss that can be used to reduce income tax expense, please explain how this position is consistent with not recognizing such net operating losses for rate setting purposes.

RESPONSE:

Normally, all of the components of income taxes should be used or none of them should be used. For example, the Company believes that it would be improper to use the ADIT and HCGETC as rate base reductions and then claim that the NOL should be used to eliminate the recovery of income tax expense. However, as in this instance, when the NOL for both the utility and its consolidated income tax filing are significant, it would be proper to remove all income tax elements from the establishment of a revenue requirement.

SPONSOR: Robert O'Brien

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CA-SIR-22

Ref: Response to CA-IR-28.

- a. The Company indicates that backup detail would either be time consuming to produce or non-existent. Please discuss whether either situation reflects reasonable expectations as it relates to the requirement that a utility company meeting its burden of proof.

RESPONSE:

The Company believes that it should have made a greater effort to reconcile its book and tax plant accounting records in the years, which could be viewed as a utility not meeting its burden of proof with regard to the establishment of the ADIT or the HCGETC. This is not the case with regard to the book accounting records where the Company has provided significant support and documentation. The burden of proof issue, if it exists at all, would be related to the income tax elements.

- b. Please discuss what measures are being taken to resolve the various deficiencies in the income tax calculation and support.

RESPONSE:

At this time, the Company does not have the resources to resolve this issue during the processing of this case. The Company plans to reconcile its book and tax plant and

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related elements prior to its next rate case filing and provide that reconciliation as part of its filing.

- c. Please discuss what measures are being taken with respect to record keeping to address these issues.

RESPONSE: See response to part (b) above.

SPONSOR: Robert O'Brien

CERTIFICATE OF SERVICE

I (we) hereby certify that copies of the foregoing document were duly served on the following parties, by having said copies delivered as set forth below:

MR. DEAN NISHINA Executive Director Department of Commerce and Consumer Affairs Division of Consumer Advocacy 335 Merchant Street, Suite 326 Honolulu, Hawaii 96813	3 copies Hand Deliver
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MARGERY S. BRONSTER, ESQ. JEANNETTE H. CASTAGNETTI, ESQ. Bronster Hoshibata 2300 Pauahi Tower 1003 Bishop Street Honolulu, HI 96813	1 copy Hand Deliver
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Attorneys for the COUNTY OF MAUI

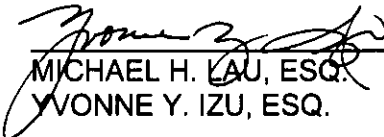
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Attorney for MOLOKAI PROPERTIES LIMITED

DATED: Honolulu, Hawai'i, December 21, 2009.



MICHAEL H. LAU, ESQ.
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